

CITY OF LOGAN

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2007

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CITY OF LOGAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Foutch	Mayor	December 2007
Lisa Winther	Mayor Pro-Tem	December 2007
Dennis Crum	Council Member	December 2007
Randy Fetter	Council Member	December 2009
Brian Knau	Council Member	December 2009
Art McWilliams	Council Member	December 2007
Nedra Fliehe	City Administrator	Indefinite
Angela Winther	Assistant Administrator	Indefinite
Joe Lauterbach	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 16, 2007

Lonnie G. Muxfeldt
Certified Public
Accountant

Independent Auditor's Report

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Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Logan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Continued . . .

August 16, 2007

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To the Honorable Mayor and
Members of the City Council:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan at June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my reports dated August 16, 2007 on my consideration of the City of Logan's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9, and 26 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Logan's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

M. W. Mufflet Associates, CPA, P.C.

**CITY OF LOGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

As management of the City of Logan, Iowa we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) a cash basis government-wide financial statement, 2) cash basis fund financial statements, and 3) notes to the financial statements.

Government-wide financial statement: This statement consists of a Statement of Activities and Net Assets and provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental fund account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax, and Employee Benefits, 3) Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Analysis of significant changes in financial position and fund balances: The City's cash balance for governmental activities increased 84% from a year ago, increasing by \$226,318 during the fiscal year ended June 30, 2007. 71% of the increase, or \$161,634, is attributable to contributions and transfers from Lo-Ma Swimming Pool Corporation toward a new municipal aquatic center and is reflected in capital grants, contributions and restricted interest..

The analysis that follows focuses on the changes in the cash basis net assets of governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities			
		Year ended June 30,	
		2007	2006
Receipts:			
Program receipts:			
Charges for services	\$	140,540	\$ 142,261
Operating grants, contributions and restricted interest		149,322	154,280
Capital grants, contributions and restricted interest		161,634	-0-
General receipts:			
Property tax		464,352	480,092
Local option sales tax		78,253	76,634
Unrestricted investment earnings		3,022	1,610
Total receipts		<u>997,123</u>	<u>854,877</u>
Disbursements:			
Public safety		181,936	207,762
Public works		208,141	259,961
Health and social services		4,200	4,000
Culture and recreation		141,513	122,520
Community and economic development		2,736	11,356
General government		104,123	103,801
Debt service		128,156	108,429
Total disbursements		<u>770,805</u>	<u>817,829</u>
Change in cash basis net assets		226,318	37,048
Cash basis net assets, beginning of year		<u>270,406</u>	<u>233,358</u>
Cash basis net assets, end of year	\$	<u>496,724</u>	\$ <u>270,406</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The City's cash balance for business type activities increased \$3,465 or 6% during the fiscal year ended June 30, 2007. City Council raised the rates on sewer, water and landfill usage early in fiscal year 2006-2007. When compared to losses incurred over the past four or five years, even a modest increase in cash balance for business type activities is welcome.

The analysis that follows focuses on the changes in the cash basis net assets of business type activities:

	Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for services and sales:		
Water	\$ 249,941	\$ 250,389
Sewer	147,546	124,963
Capital grants, contribution, and restricted interest	4,141	2,205
General receipts:		
Unrestricted interest	742	426
Meter deposits	3,852	6,389
Total receipts	<u>406,222</u>	<u>384,372</u>
Disbursements:		
Water	150,239	183,117
Sewer	67,543	75,335
Debt service	180,584	185,463
Meter deposit refunds	4,391	4,703
Total disbursements	<u>402,757</u>	<u>448,618</u>
Change in cash basis net assets	3,465	(64,246)
Cash basis net assets, beginning of year	<u>57,326</u>	<u>121,572</u>
Cash basis net assets, end of year	<u>\$ 60,791</u>	<u>\$ 57,326</u>

Analysis between actual and budget amounts: The City amended its budget on May 21, 2007. The amended budget increased revenue by \$511,000 and increased disbursements by \$456,000. The budget was amended primarily to reflect the refinancing of two water revenue notes and the issuance of the water revenue refunding bonds in October 2006.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Debt Administration: At June 30, 2007, the City had \$1,852,230 in bonds and other long-term debt compared to \$2,060,822 last year, as shown below.

Outstanding Debt at Year-End		
	2007	2006
General obligation bonds	\$ 498,230	\$ 602,822
Revenue notes	1,354,000	1,458,000
Total	\$ <u>1,852,230</u>	\$ <u>2,060,822</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$498,230 is significantly below its constitutional debt limit of \$2.8 million.

Future financial statement impact: The two major projects of the City are the park shelter and the Aquatic Center. The park shelter is scheduled to be completed by October 2007. The Aquatic Center will be completed sometime in 2009. Both will be financed through grants and contributions.

Requests for information: Requests for additional information can be made to the Logan City Administrator, Nedra Fliehe, at 108 West 4th Street, Logan, Iowa 51546.

BASIC FINANCIAL STATEMENTS

CITY OF LOGAN

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED 30, 2007

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 181,936	\$ 10,863	\$ -0-	\$ -0-
Public works	208,141	42,466	132,638	-0-
Health and social services	4,200	-0-	-0-	-0-
Cultures and recreation	141,513	14,106	16,684	161,634
Community and economic development	2,736	-0-	-0-	-0-
General government	104,123	73,105	-0-	-0-
Debt service	128,156	-0-	-0-	-0-
Total governmental activities	<u>770,805</u>	<u>140,540</u>	<u>149,322</u>	<u>161,634</u>
Business type activities:				
Water	243,019	253,793	4,141	-0-
Sewer	159,738	147,546	-0-	-0-
Total business type activities	<u>402,757</u>	<u>401,339</u>	<u>4,141</u>	<u>-0-</u>
Total	\$ <u>1,173,562</u>	\$ <u>541,879</u>	\$ <u>153,463</u>	\$ <u>161,634</u>
General receipts:				
Property taxes levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted investment earnings				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
Cash basis net assets				
Restricted:				
Streets				
Debt service				
Other purposes				
Permanent				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets			
	Governmental Activities	Business Type Activities	Total
Functions / Programs:			
Governmental activities:			
Public safety	\$ (171,073)	\$ -0-	\$ (171,073)
Public works	(33,037)	-0-	(33,037)
Health and social services	(4,200)	-0-	(4,200)
Cultures and recreation	50,911	-0-	50,911
Community and economic development	(2,736)	-0-	(2,736)
General government	(31,018)	-0-	(31,018)
Debt service	(128,156)	-0-	(128,156)
Total governmental activities	(319,309)	-0-	(319,309)
Business type activities:			
Water	-0-	14,915	14,915
Sewer	-0-	(12,192)	(12,192)
Total business type activities	-0-	2,723	2,723
Total	(319,309)	2,723	(316,586)
	370,282	-0-	370,282
	94,070	-0-	94,070
	78,253	-0-	78,253
	3,022	742	3,764
	545,627	742	546,369
	226,318	3,465	229,783
	270,406	57,326	327,732
	\$ 496,724	\$ 60,791	\$ 557,515
	\$ 11,082	\$ -0-	\$ 11,082
	(8,196)	111,105	102,909
	193,365	-0-	193,365
	55,648	-0-	55,648
	244,825	(50,314)	194,511
	\$ 496,724	\$ 60,791	\$ 557,515

CITY OF LOGAN

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	General	Special Revenue	
		Road Use Tax	Local Option Tax
Receipts:			
Property tax	\$ 274,985	\$ -0-	\$ -0-
Other city tax	66	-0-	78,253
Licenses and permits	3,622	-0-	-0-
Use of money and property	12,977	-0-	1,454
Intergovernmental	11,539	128,768	-0-
Charges for services	103,137	-0-	-0-
Special assessments	677	-0-	-0-
Miscellaneous	186,316	-0-	-0-
Total receipts	<u>593,319</u>	<u>128,768</u>	<u>79,707</u>
Disbursements:			
Operating:			
Public safety	146,272	-0-	3,000
Public works	47,827	129,159	12,499
Health and social services	-0-	-0-	4,200
Culture and recreation	136,220	-0-	204
Community and economic development	2,736	-0-	-0-
General government	88,697	-0-	-0-
Debt service	-0-	-0-	-0-
Total disbursements	<u>421,752</u>	<u>129,159</u>	<u>19,903</u>
Excess (deficiency) of receipts over (under) disbursements	171,567	(391)	59,804
Other financing sources (uses):			
Operating transfers in	10,473	3,870	-0-
Operating transfers out	-0-	-0-	(23,821)
Total other financing sources (uses)	<u>10,473</u>	<u>3,870</u>	<u>(23,821)</u>
Net change in cash balances	182,040	3,479	35,983
Cash balances, beginning of year	<u>62,785</u>	<u>7,603</u>	<u>127,377</u>
Cash balances, end of year	\$ <u>244,825</u>	\$ <u>11,082</u>	\$ <u>163,360</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -0-	\$ -0-	\$ -0-
Unreserved:			
General fund	244,825	-0-	-0-
Special revenue funds	-0-	11,082	163,360
Permanent fund	-0-	-0-	-0-
Total fund balance	\$ <u>244,825</u>	\$ <u>11,082</u>	\$ <u>163,360</u>

See notes to financial statements.

CITY OF LOGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 742	\$ -0-	\$ 742
Charges for services	249,076	146,689	395,765
Miscellaneous	865	857	1,722
Total operating receipts	<u>250,683</u>	<u>147,546</u>	<u>398,229</u>
Operating disbursements:			
Business type activities	<u>150,239</u>	<u>67,543</u>	<u>217,782</u>
Total operating disbursements	<u>150,239</u>	<u>67,543</u>	<u>217,782</u>
Excess of operating receipts over operating disbursements	100,444	80,003	180,447
Non-operating receipts (disbursements):			
Interest on investments	4,141	-0-	4,141
Meter deposits	3,852	-0-	3,852
Meter deposit refunds	(4,391)	-0-	(4,391)
Debt service	<u>(88,389)</u>	<u>(92,195)</u>	<u>(180,584)</u>
Total non-operating receipts (disbursements)	<u>(84,787)</u>	<u>(92,195)</u>	<u>(176,982)</u>
Net change in cash balances	15,657	(12,192)	3,465
Cash balances, beginning of year	<u>169,974</u>	<u>(112,648)</u>	<u>57,326</u>
Cash balances, end of year	\$ <u>185,631</u>	\$ <u>(124,840)</u>	\$ <u>60,791</u>
Cash Basis Fund Balances			
Reserved:			
Meter deposits	\$ 10,150	\$ -0-	\$ 10,150
Sinking funds	101,018	-0-	101,018
Unreserved	<u>74,463</u>	<u>(124,840)</u>	<u>(50,377)</u>
Total fund balance	\$ <u>185,631</u>	\$ <u>(124,840)</u>	\$ <u>60,791</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Logan is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1919 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Logan has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials or appointees are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission and Harrison County Landfill Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation (cont'd.)

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

B. Basis of Presentation (Cont'd)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for a variety of projects financed by the local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Logan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the debt service function.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2007, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$557,515 as of June 30, 2007.

NOTE 3 LONG-TERM DEBT

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 110,911	\$ 19,082	\$ 126,000	\$ 56,805	\$ 236,911	\$ 75,887
2009	107,319	14,659	133,000	51,724	240,319	66,383
2010	90,000	10,225	135,000	46,325	225,000	56,550
2011	95,000	7,030	142,000	40,800	237,000	47,830
2012	95,000	3,563	150,000	34,949	245,000	38,512
2013	-0-	-0-	62,000	28,724	62,000	28,724
2014	-0-	-0-	65,000	26,058	65,000	26,058
2015	-0-	-0-	68,000	23,263	68,000	23,263
2016	-0-	-0-	71,000	20,339	71,000	20,339
2017	-0-	-0-	74,000	17,286	74,000	17,286
2018	-0-	-0-	77,000	14,104	77,000	14,104
2019	-0-	-0-	80,000	10,793	80,000	10,793
2020	-0-	-0-	84,000	7,353	84,000	7,353
2021	-0-	-0-	87,000	3,741	87,000	3,741
Total	\$ 498,230	\$ 54,559	\$ 1,354,000	\$ 382,264	\$ 1,852,230	\$ 436,823

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 LONG-TERM DEBT (continued)

General Obligation Debt Resolutions

The resolutions providing for the issuance of the general obligation debt include the following:

- (a) The levy of taxes sufficient to provide payment of principal and interest when due.
- (b) Proceeds of the tax levy are to be collected in the debt service fund of the City.

The City is in compliance with the above provision.

Revenue Debt Resolutions

On October 15, 2006, the City issued Water Revenue Refunding Bonds, Series 2006 that refinanced the City's Water Revenue Notes, Series 1995, dated May 1, 1995, and Water Revenue Refunding Notes, Series 1997, dated April 1, 1997.

The resolutions providing for the issuance of the water revenue refunding bonds include the following:

- (a) The debt will only be redeemed from the future net revenues of the municipal waterworks system of the City.
- (b) The City shall impose, adjust and provide for the collection of rates to be charged to customers to produce revenues sufficient to pay for operation of the utility and leave a balance sufficient to pay the principal and interest on the revenue debts as they become due.
- (c) A "Water Revenue Sinking Fund" shall be created to set aside from the future net revenues of the utility such portion sufficient to pay principal and interest on the bonds as they become due. The minimum amount to be set aside each month shall be equal to 1/12 of the principal due May 1 of the next year and 1/6 of the interest due the next succeeding interest payment.

Lease - Purchase Contracts

The City entered into a lease-purchase contract for a street sweeper. The contract requires five annual payments of \$23,821. As of June 30, 2007, three payments have been made and two remain.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 4 PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute a 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$20,193, \$20,182, and \$20,499, respectively, equal to the required contributions for each year.

NOTE 5 COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment at termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid one-half the accumulated sick leave. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2007
Vacation/Personal Day	\$ 11,669
Compensatory time	48
Total	\$ 11,717

This liability has been computed based on rates of pay in effect as of June 30, 2007.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 6 LEASE AGREEMENTS

In April, 1989, the City entered into a cancelable lease agreement for a tract of land for the purpose of establishing water wells on the said property for the annual sum of \$2,000 and continuing each year thereafter as long as the well site is being used by the City.

Rental expense for the year ended June 30, 2007 was \$2,000.

NOTE 7 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue - Emergency	\$ 8,315
General	Permanent Fund	2,158
Special Revenue - Road Use	Special Revenue - FEMA	3,870
Debt Service	Special Revenue - Local Option	23,821
Total		<u>\$ 38,164</u>

NOTE 8 RELATED PARTY TRANSACTIONS

Business transactions between the City and City officials totaled \$11,087 during the year ended June 30, 2007.

NOTE 9 RISK MANAGEMENT

The City of Logan is exposed to various risks of loss to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 DEFICIT FUND BALANCE

At June 30, 2007, the Sewer Fund had deficit balances of \$124,840 and the Debt Service Fund had a deficit balance of \$8,196.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 11 COMMITMENTS

Park Shelter

The City has contracted for the construction of a park shelter in the City Park. The shelter is a near replica of the City's original train depot and is estimated to cost \$63,065. Funding for the shelter has come from the Harrison County Endowment Fund, the Jim Wood Foundation, proceeds on the sale of trees, local option sales tax and Americans for Fair Taxation. Construction is scheduled to be completed by October 2007.

Jim Wood Aquatic Center

In June 2007, the City contracted for the first phase of engineering and construction of a community swimming pool. The estimated cost of the project is \$1,500,000. Approximately \$682,000 has been pledged for construction of the Aquatic Center from the Jim Wood Foundation, the Schildberg Foundation, the Harrison County Endowment Fund, and others. The project completion is scheduled for 2009.

NOTE 12 STATISTICAL INFORMATION

	For the year ended June 30, 2007	
Gallons of water billed	44,856,831	72%
Gallons of water used by the City	3,164,980	5%
Gallons of water unaccounted for	14,562,189	23%
Gallons of water pumped	62,584,000	100%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOGAN

BUDGETARY COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 464,241	\$ -0-
Other city tax	78,364	-0-
Licenses and permits	3,622	-0-
Use of money and permits	16,589	4,883
Intergovernmental	144,177	-0-
Charges for services	103,137	399,617
Special assessments	677	-0-
Miscellaneous	186,316	1,722
Total receipts	<u>997,123</u>	<u>406,222</u>
Disbursements:		
Public safety	181,936	-0-
Public works	208,141	-0-
Health and social services	4,200	-0-
Culture and recreation	141,513	-0-
Community and economic development	2,736	-0-
General government	104,123	-0-
Debt service	128,156	-0-
Business type	-0-	402,757
Total disbursements	<u>770,805</u>	<u>402,757</u>
Excess (deficiency) of receipts over (under) disbursements	226,318	3,465
Other financing sources, net	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of receipts and other financing sources	226,318	3,465
Balance beginning of year	<u>270,406</u>	<u>57,326</u>
Balance end of year	<u>\$ 496,724</u>	<u>\$ 60,791</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 464,241	\$ 452,314	\$ 452,314	\$ 11,927
78,364	89,583	89,583	(11,219)
3,622	8,725	8,725	(5,103)
21,472	17,000	17,000	4,472
144,177	142,866	142,866	1,311
502,754	515,200	505,200	(2,446)
677	500	500	177
188,038	5,600	55,600	132,438
<u>1,403,345</u>	<u>1,231,788</u>	<u>1,271,788</u>	<u>131,557</u>
181,936	202,527	194,527	12,591
208,141	288,708	268,708	60,567
4,200	4,200	4,200	-0-
141,513	150,315	148,315	6,802
2,736	7,000	5,000	2,264
104,123	118,825	120,825	16,702
128,156	104,335	104,335	(23,821)
402,757	403,794	889,794	487,037
<u>1,173,562</u>	<u>1,279,704</u>	<u>1,735,704</u>	<u>562,142</u>
229,783	(47,916)	(463,916)	693,699
<u>-0-</u>	<u>500</u>	<u>471,500</u>	<u>(471,500)</u>
229,783	(47,416)	7,584	222,199
<u>327,732</u>	<u>327,732</u>	<u>327,732</u>	<u>-0-</u>
\$ <u>557,515</u>	\$ <u>280,316</u>	\$ <u>335,316</u>	\$ <u>222,199</u>

CITY OF LOGAN

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

JUNE 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$456,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LOGAN

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue		
	Emergency	Forfeiture	Employee Benefits
Receipts:			
Property tax	\$ 8,313	\$ -0-	\$ 86,896
Other city tax	2	-0-	20
Use of money and property	-0-	-0-	-0-
Intergovernmental	-0-	-0-	-0-
Total receipts	8,315	-0-	86,916
Disbursements:			
Operations:			
Public safety	-0-	20	32,644
Public works	-0-	-0-	18,656
Culture and recreation	-0-	-0-	5,089
General government	-0-	-0-	15,426
Debt service	-0-	-0-	-0-
Total disbursements	-0-	20	71,815
Excess (deficiency) of receipts over (under) disbursements	8,315	(20)	15,101
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers out	(8,315)	-0-	-0-
Net financing sources (uses)	(8,315)	-0-	-0-
Net change in cash balances	-0-	(20)	15,101
Cash balances, beginning of year	-0-	20	14,904
Cash balances, end of year	\$ -0-	\$ -0-	\$ 30,005
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ -0-	\$ -0-	\$ 30,005
Permanent fund	-0-	-0-	-0-
Total fund balance	\$ -0-	\$ -0-	\$ 30,005

See Accompanying Independent Auditor's Report.

SCHEDULE 1

	FEMA Ice Storm	Permanent Library	Total
\$	-0-	\$ -0-	\$ 95,209
	-0-	-0-	22
	-0-	2,158	2,158
	3,870	-0-	3,870
	<u>3,870</u>	<u>2,158</u>	<u>101,259</u>
	-0-	-0-	32,664
	-0-	-0-	18,656
	-0-	-0-	5,089
	-0-	-0-	15,426
	-0-	-0-	-0-
	<u>-0-</u>	<u>-0-</u>	<u>71,835</u>
	3,870	2,158	29,424
	-0-	-0-	-0-
	<u>(3,870)</u>	<u>(2,158)</u>	<u>(14,343)</u>
	<u>(3,870)</u>	<u>(2,158)</u>	<u>(14,343)</u>
	-0-	-0-	15,081
	-0-	55,648	70,572
\$	<u>-0-</u>	<u>\$ 55,648</u>	<u>\$ 85,653</u>
\$	-0-	\$ -0-	\$ 30,005
	-0-	55,648	55,648
\$	<u>-0-</u>	<u>\$ 55,648</u>	<u>\$ 85,653</u>

CITY OF LOGAN
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation debt:			
GO Refunding Bonds	September 15, 2005	3.25-3.75%	\$ 540,000
Lease - Purchase Street Sweeper	May 23, 2005	6.73%	\$ 105,000
Revenue debt:			
Water Revenue Notes	May 1, 1995	5.00-6.35%	\$ 615,000
Water Revenue Refunding Notes	April 1, 1997	5.05-5.55%	\$ 320,000
Sewer Notes	July 10, 2001	4.30%	\$ 1,210,000
Water Revenue Refunding Bonds	October 15, 2006	3.85-4.05%	\$ 480,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 540,000	\$ -0-	\$ 85,000	\$ 455,000	\$ 18,935	\$ 1,348
62,822	-0-	19,593	43,230	4,228	-0-
<u>\$ 602,822</u>	<u>\$ -0-</u>	<u>\$ 104,593</u>	<u>\$ 498,230</u>	<u>\$ 23,163</u>	<u>\$ 1,348</u>
\$ 420,000	\$ -0-	\$ 420,000	\$ -0-	\$ 12,811	\$ -0-
45,000	-0-	45,000	-0-	1,214	-0-
993,000	-0-	49,000	944,000	42,699	3,383
-0-	480,000	70,000	410,000	10,294	1,351
<u>\$ 1,458,000</u>	<u>\$ 480,000</u>	<u>\$ 584,000</u>	<u>\$ 1,354,000</u>	<u>\$ 67,018</u>	<u>\$ 4,734</u>

CITY OF LOGAN
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2007

General Obligation Debt

Year Ended June 30,	<u>General Obligation Refunding Bonds</u> <u>Issued September 15, 2005</u>		<u>Lease-Purchase Street Sweeper</u> <u>Issued May 23, 2005</u>		Total
	Interest Rates	Amount	Interest Rates	Amount	
2008	3.35%	\$ 90,000	6.73%	\$ 20,911	110,911
2009	3.45%	85,000	6.73%	22,319	107,319
2010	3.55%	90,000	--	-0-	90,000
2011	3.65%	95,000	--	-0-	95,000
2012	3.75%	<u>95,000</u>	--	<u>-0-</u>	<u>95,000</u>
Total		\$ <u>455,000</u>		\$ <u>43,230</u>	\$ <u>498,230</u>

See Accompanying Independent Auditor's Report.

CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2007

Revenue Debt

Water Revenue Refunding Bonds, Series 2006
Issued October 15, 2006

Year Ended June 30,	Interest Rates	Amount
2008	3.85%	\$ 75,000
2009	3.90%	80,000
2010	3.95%	80,000
2011	4.00%	85,000
2012	4.05%	90,000
2013	--	-0-
2014	--	-0-
2015	--	-0-
2016	--	-0-
2017	--	-0-
2018	--	-0-
2019	--	-0-
2020	--	-0-
2021	--	-0-
Total		\$ 410,000

See Accompanying Independent Auditor's Report.

SCHEDULE 3
(Continued)

Sewer Revenue Note
Issued July 10, 2001

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2008	4.30%	\$ 51,000	\$ 126,000
2009	4.30%	53,000	133,000
2010	4.30%	55,000	135,000
2011	4.30%	57,000	142,000
2012	4.30%	60,000	150,000
2013	4.30%	62,000	62,000
2014	4.30%	65,000	65,000
2015	4.30%	68,000	68,000
2016	4.30%	71,000	71,000
2017	4.30%	74,000	74,000
2018	4.30%	77,000	77,000
2019	4.30%	80,000	80,000
2020	4.30%	84,000	84,000
2021	4.30%	87,000	87,000
Total		\$ 944,000	\$ 1,354,000

CITY OF LOGAN

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST FOUR YEARS

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property and other city taxes	\$ 542,605	\$ 556,726	\$ 568,960	\$ 551,596
Tax increment financing	-0-	-0-	-0-	-0-
License and permits	3,622	4,457	6,616	7,214
Use of money and property	16,589	17,425	14,097	14,436
Intergovernmental	144,177	140,722	138,255	145,587
Charges for service	103,137	35,042	40,355	34,709
Special assessments	677	179	1,047	113
Miscellaneous	186,316	97,326	60,714	32,527
Sale of assets	-0-	3,000	960	500
Total	<u>\$ 997,123</u>	<u>\$ 854,877</u>	<u>\$ 831,004</u>	<u>\$ 786,682</u>
Disbursements:				
Operating:				
Public safety	\$ 181,936	\$ 207,762	\$ 181,560	\$ 187,909
Public works	208,141	259,961	306,844	166,602
Health and social services	4,200	4,000	4,000	-0-
Culture and recreation	141,513	122,520	130,209	122,089
Community and economic development	2,736	11,356	1,950	530
General government	104,123	103,801	91,532	90,396
Debt service	128,156	108,429	141,237	135,737
Capital projects	-0-	-0-	-0-	54,750
Total	<u>\$ 770,805</u>	<u>\$ 817,829</u>	<u>\$ 857,332</u>	<u>\$ 758,013</u>

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 16, 2007

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARD

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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated August 16, 2007. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Logan's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Logan's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Logan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

Continued . . .

August 16, 2007
To the Honorable Mayor and
Members of the City Council:
Page Two

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Logan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Logan's financial statements that is more than inconsequential will not be prevented or detected by the City of Logan's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Logan's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Logan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Continued . . .

August 16, 2007
To the Honorable Mayor and
Members of the City Council:
Page Three

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Logan's responses to findings identified in my audit are described in the accompanying Schedule findings and Questioned Costs. While I have expressed my conclusions on the City's responses, I did not audit the City of Logan's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Logan and other parties to whom the City of Logan may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Logan during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Musfeldt Associates, CPA, P.C.

CITY OF LOGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is an other comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCE OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF LOGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

III-A-07 Certified Budget - Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable

Conclusion - Response accepted.

III-B-07 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-07 Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, there have been no transactions that appear to represent a conflict of interest.

III-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-07 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

III-G-07 Revenue Notes - The City is in compliance with all covenants of their Revenue Note resolutions.

III-H-07 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's deposit and investment policy were noted.

CITY OF LOGAN
LOGAN, IOWA 51546

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Logan, Iowa.

The City's receipts totaled \$1,403,345 for the year ended June 30, 2007, a 13 percent increase from 2006. The receipts included \$464,352 from property tax, \$541,879 from charges for services, \$153,463 from operating grants, contributions and restricted interest, \$161,634 from capital grants, contributions and restricted interest, \$78,253 from local option sales tax, and \$3,764 from unrestricted investment earnings.

Disbursements for the year totaled \$1,173,562, a 7.3 percent decrease from 2006, and included \$243,019 for water, \$208,141 for public works, and \$181,936 for public safety.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.

